

Service Date: December 11, 2000

DEPARTMENT OF PUBLIC SERVICE REGULATION
BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MONTANA

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IN THE MATTER OF ENERGY WEST)
MONTANA, A DIVISION OF ENERGY)
WEST, INC. Application for an Increase in)
Natural Gas Rates Pursuant to its Gas Cost)
Tracking Mechanism)

UTILITY DIVISION
DOCKET NO. D2000.10.176
ORDER NO. 6305

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INTERIM ORDER
FINDINGS OF FACT

1. On October 24, 2000, ENERGY WEST Montana (EWM), a Division of Energy West Incorporated, filed an application to increase rates for natural gas service by \$7,060,382 through its approved gas cost tracking mechanism. This request represents an increase of 32.6% in Great Falls and 23.7% in West Yellowstone. EWM has asked for interim relief of \$6,468,215 or a 29.8% increase in Great Falls and 22.5% increase in West Yellowstone.

2. EWM proposes to spread the interim increase for natural gas service among its customers in the following manner:

Class	Number of Customers	Current Ave Annual Bill	Proposed Ave Annual Bill	Proposed Annual Incr	% Increase
Great Falls Residential	21,238	\$607	\$797	\$189	31.1%
Residential DT	982	\$408	\$420	\$12	2.9%
Small General	1,648	\$1,185	\$1,535	\$350	29.5%
Small General DT	76	\$817	\$839	\$22	2.7%
Large General	590	\$8,047	\$10,591	\$2,544	31.6%
Large General DT	130	\$5,370	\$5,531	\$160	3.0%
Extended General	2	\$78,139	\$103,234	\$25,095	32.1%
Extended General DT	20	\$51,735	\$53,317	\$1,582	3.1%
West Yellowstone Residential	347	\$878	\$1,041	\$164	18.7%
Commercial	70	\$11,410	\$14,087	\$2,677	23.5%

3. EWM's has stated that its request for increased revenues is caused by two factors: 1) an under-recovery of its gas costs in prior periods and 2) rapidly increasing wholesale gas costs. The under-recovery from prior periods was caused by delayed implementation of prior applications, higher than estimated wholesale costs and warmer than normal weather.

4. EWM argues higher wholesale costs have been partially offset by a reduced delivery charge from Montana Power Company, negotiated over the past year and a storage cost reduction. These two actions, EWM offers, are saving the customers approximately \$930,000 annually.

5. EWM is requesting \$466,905 in an estimated carrying charge stating that a large under-recovered or over-recovered balance has a significant impact on a utility of its size. Carrying costs, it argues, are a real cost of carrying balances, it is a cost that the company or the consumer incurs and it should be compensated for all costs associated with the commodity supply services. EWM states that balances occur because of several things that are out of its control, weather, forecasting errors and trackers are based on estimates so any utility is going to have under-recovered or over-recovered balances.

6. In the 1999 EWM tracker, D99.10.243, EWM recommended carrying charges be admitted only in its rebuttal testimony. MCC argued that carrying charges have not been allowed in the past and would reduce a utilities incentive to keep tracker balances at a minimum. Staff recommended that carrying charges be disallowed because it has not been noticed and there was insufficient time for full development of this issue. Carrying charges are not included and the need for its inclusion will not be addressed in an interim order.

7. The Commission EWM request for a monthly tracking adjustment will not be discussed in an interim order.

8. EWM has requested \$125,262 in out-of-pocket rate case expense because of the need to hire expert witnesses in Docket D99.10.243. While not being proposed in the interim order it can be addressed by the applicant for consideration in the final order.

9. The gas cost adjustment of \$1.7418 will be added to the low-income tariffs, just as it will be added to all other full-service tariffs. This will decrease the percentage of the discount but will maintain the approximate total amount of the discount of \$66,725 as ordered in Order 5933b.

CONCLUSIONS OF LAW

1. ENERGY WEST Montana offers regulated natural gas service in the state of Montana and is a public utility under MCA § 69-3-102.
2. The Montana Public Service Commission properly exercises jurisdiction over ENERGY WEST Montana's Montana operations pursuant to Title 69, Chapter 3, MCA.
3. The rates approved herein are a reasonable means of providing interim relief to ENERGY WEST Montana's customers.
4. The Commission may approve an increase or decrease in rates on an interim basis, pending a hearing on the merits (§ 69-3-304 MCA).

ORDER

1. ENERGY WEST Montana is hereby authorized to increase rates on an interim basis for natural gas service by \$6,468,215.
 2. ENERGY WEST Montana must file tariffs in compliance with the Findings of Fact in the Interim Order.
 3. Interim approval of any matters in this Docket should not be viewed as a final endorsement by the Commission of any issues, calculations, or methodologies approved in this Interim Order.
 4. A Public Hearing may be held in the future to allow parties the option of pursuing items of interest to them.
 5. Any refunds shall include interest calculated at ENERGY WEST Montana's return on equity.
 6. Rates which implement the increases approved in this Interim Order will become effective for services rendered on and after December 11, 2000.
- DONE AND DATED at Helena, Montana, this 4th, day of December, 2000, by a vote of 5- 0.

BY ORDER OF THE MONTANA PUBLIC SERVICE COMMISSION

DAVE FISHER, Chairman

NANCY MCCAFFREE, Vice Chair

BOB ANDERSON, Commissioner

GARY FELAND, Commissioner

BOB ROWE, Commissioner

ATTEST:

Kathlene M. Anderson
Commission Secretary

(SEAL)

NOTE: Any interested party may request the Commission to reconsider this decision.
A motion to reconsider must be filed within ten (10) days. See ARM 38.2.4806.